


# SEVENTY-THIRD ANNUAL REPORT 1978

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THE MONARCH LIFE ASSURANCE COMPANY





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# THE MONARCH LIFE ASSURANCE COMPANY

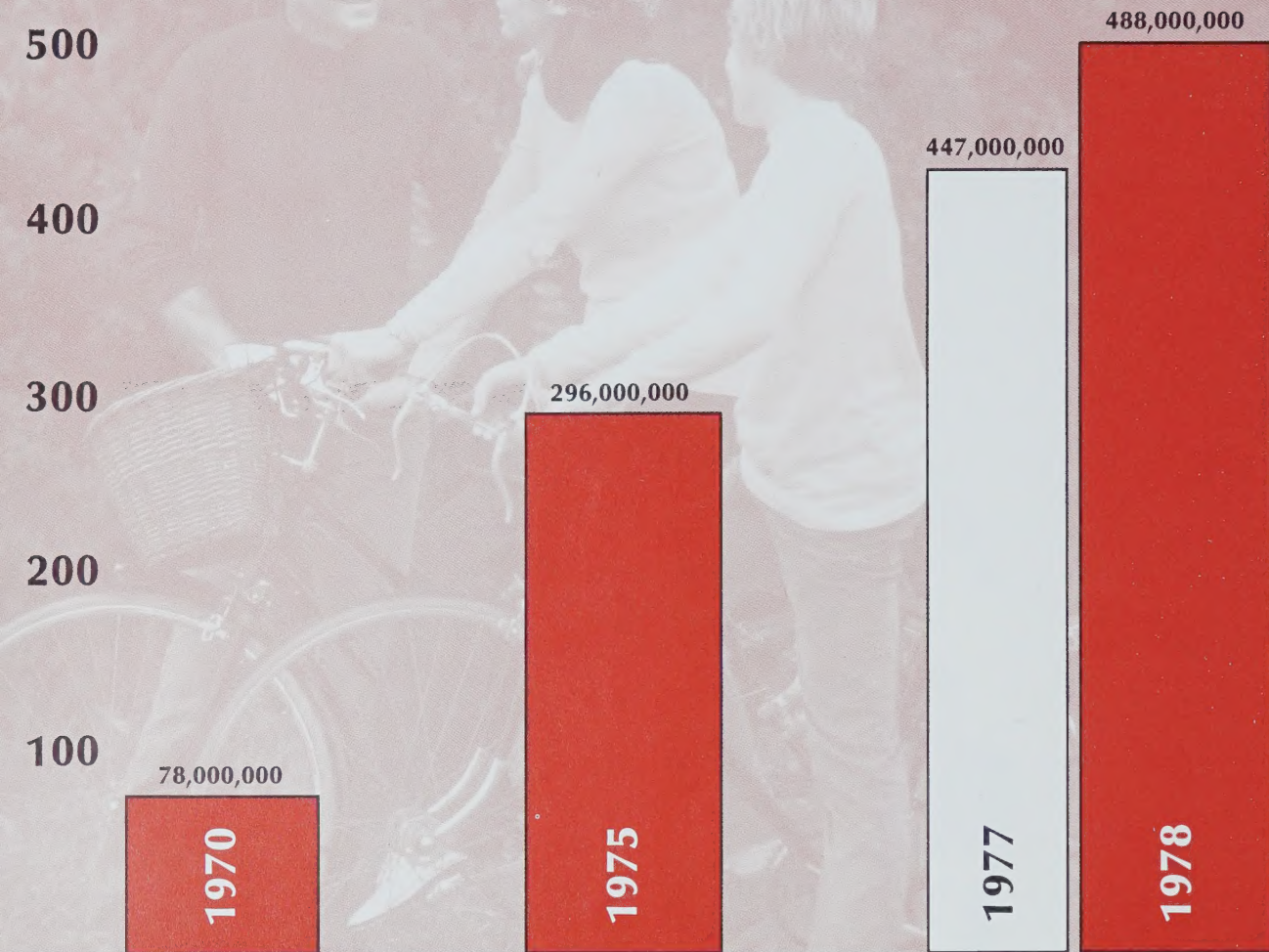
## SEVENTY-THIRD ANNUAL REPORT 1978

### HIGHLIGHTS

	1978	1977	1975	1970
<b>Sales</b> Amount of Life Insurance	488,030,000	446,719,000	296,121,000	78,181,000
Premiums on Annuities	16,584,000	11,354,000	9,556,000	7,078,000
<b>Business in Force</b>	2,482,044,000	2,255,780,000	1,640,489,000	807,154,000
<b>Net Interest Rate</b>	8.70%	8.33%	7.76%	6.60%
<b>Assets</b>	356,442,000	318,275,000	259,779,000	164,688,000



## Life Insurance Sales



## Report of Directors

To the Seventy-Third Annual Meeting of The Monarch Life Assurance Company to be held at the Head Office of the Company, in Winnipeg, on February 22nd, 1979.

### SALES

The amount of life insurance sold in 1978 was \$488,030,000, a 9% increase over 1977.

Inflation in recent years has caused individuals to reassess their plans for the future financial security of themselves and their families. The need for increased amounts of life insurance at moderate

cost has become evident. In 1978 the average amount of insurance purchased by adults was \$38,000 and low cost term insurance represented 55% of the total amount sold by our representatives.

Premiums on annuity sales were \$16,584,000, an increase of 46%. Of this total, sales of Income Averaging Annuities and other similar annuities at \$7,396,000 were 68% higher than in 1977; and sales of Registered Retirement Savings Plans and Registered Pension Plans at \$9,188,000 were 32% higher.

Income Averaging Annuities, Term insurance and RRSP annuities are just part of the integrated



3000

## Business in Force

2500

2000

1500

1000

500

2,482,000,000

2,256,000,000

1,640,000,000

807,000,000

1970

1975

1977

1978

financial and tax planning services available through our sales representatives.

The Company's total life insurance in force at year end was \$2,482,044,000, an increase of 10%.

### INVESTMENTS

At year end, assets were \$356,442,000, an increase of \$38,167,000 or 12%.

The rate of interest earned on our entire portfolio, after deduction of investment expenses, rose to 8.70% from 8.33%.

In 1978 new funds directed to long term investments were apportioned 48% to mortgages, 46%

to corporate and government bonds and 6% to stocks.

New mortgage investments were made primarily on commercial and industrial properties such as warehouses, shopping centres and office complexes in a number of Canadian cities and towns. These investments provide financing to the important job creating private sector over a broad geographic and industrial range.

### SEGREGATED INVESTMENT FUNDS

The investments of these funds are segregated in the sense that they are not mingled with the other assets of the Company. They support the special series of group pension policies available to



400

## Assets

300

200

100

356,000,000

318,000,000

260,000,000

164,000,000

1970

1975

1977

1978

employers for their company pension plans. Individual policyholders may also invest their policy dividends in a segregated fund. At year end the total of these segregated investment funds was \$15,184,000, an increase of 19%.

### POLICY LOANS AND SURRENDERS

The amount of policy loans outstanding was \$14,403,000 at year end and represents 4.0% of assets compared to 4.2% at the end of 1977.

The number of policies surrendered for cash in 1978 and the amount of cash payments were significantly higher than in 1977.

### MORTALITY

For 1978, our mortality experience was 25%

better than expected. However, fluctuations in mortality experience can and do occur from year to year.

### POLICYHOLDERS

The amount paid to policyholders and beneficiaries in 1978 was \$29,286,000, 14% more than in 1977. In addition, \$32,298,000 was allocated to Actuarial Reserves for future payment.

### EXPENSES

Operating expenses for 1978 were 10% higher than 1977, reflecting both growth of operations and inflationary pressures. Despite this, our cost ratios improved slightly. A watchful and critical eye is kept on expenses but commensurate with



our desire to provide better service to policy-holders.

### NET INCOME AND SURPLUS

Net income from 1978 operations was \$4,271,000. \$1,925,000 was allocated to increase the Statutory and Contingency Reserve.

After all operations and provisions, surplus increased \$2,130,000 to \$31,207,000.

### NEW ACCOUNTING AND TAX LEGISLATION

Revised federal legislation, and subsequent regulations promulgated by the Department of Insurance, became effective in 1978 with respect to the required accounting methods and the basis of determining the Actuarial Reserve to be used by life insurance companies. The changes provide for the use of accounting principles and the presentation of financial results which are more consistent with the practices followed by other businesses.

Because the changes were extensive and complicated, no comparison of 1978 with 1977 can be made in the Statement of Operations. However, in the Statement of Financial Position the amounts as of December 31st, 1977, have been restated to the new basis. The change in Financial position as of December 31, 1977, and a description of the accounting principles are given in the Notes to Financial Statements.

Revisions to the Income Tax Act affecting life insurance companies became effective in 1978 but regulations to implement the changes have not been completely finalized. The income taxes provided for in the financial statements represent the Company's best estimate of the taxes payable for 1978.

### GENERAL

In June Mr. S. Price Rattray, who had served as a director since April, 1965, retired from the Board of Directors having reached mandatory retirement age. His support, encouragement and valued contribution over this period are greatly appreciated.

In September, CanWest Capital Corporation, a merchant banking organization, head-quartered in

Winnipeg, made an offer to purchase all outstanding and issued shares of the Company at a price of \$61 per share. As of year end, 99.9% of the shares had been tendered by shareholders and paid for by CanWest.

As a result of the change in ownership, a number of changes occurred on the Board of Directors with Messrs. Paul N. DuVal, William G. Konantz, William B. Parrish, Stewart A. Searle, Jr., J. Gordon Speirs and John T. Woods leaving the Board. Their guidance and contribution to the development of the Company over the years is acknowledged and appreciated.

In November the following were appointed to the Board of Directors:

Mr. I. H. Asper, Q.C., Chairman and Chief Executive Officer of CanWest

Mr. Gerald Schwartz, President of CanWest

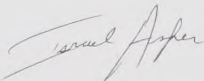
Mr. F. W. Sellers, Chairman of Spiroll Corporation

Mr. T. Bruce Ross, Chairman of the Board since January, 1970, and a director since 1966, retired on December 31, 1978. Monarch's impressive record of growth during his 9 years as Chairman is something of which he can be proud. His overall direction and leadership is very much appreciated.

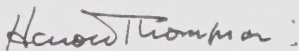
Effective January 1st, 1979, Mr. I. H. Asper was appointed Chairman of the Board and Mr. Gerald Schwartz was appointed Deputy Chairman and Chairman of the Executive Committee.

To the staff and representatives whose efforts made the very satisfactory results possible, the Directors extend sincere thanks and appreciation. The confidence and enthusiasm of the sales force, staff and officers is shared by the Directors.

On behalf of the Directors,



I. H. ASPER, Q.C., Chairman of the Board



HAROLD THOMPSON, President and Chief Executive Officer

# SEVENTY-THIRD ANNUAL REPORT 1978

## Statement of Financial Position

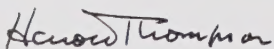
### ASSETS

	December 31	
	1978	1977
BONDS		
Government	\$ 36,702,000	32,793,000
Corporate	131,284,000	117,125,000
STOCKS	21,866,000	19,941,000
FIRST MORTGAGES		
Residential	45,584,000	48,582,000
Commercial	75,347,000	60,316,000
REAL ESTATE	6,818,000	6,494,000
POLICY LOANS	14,403,000	13,474,000
CASH	2,126,000	948,000
INVESTMENT INCOME DUE AND ACCRUED	5,130,000	3,946,000
SEGREGATED INVESTMENT FUNDS	15,184,000	12,807,000
OTHER ASSETS	1,998,000	1,849,000

Approved by the Directors



I. H. ASPER, Q.C. - Chairman of the Board



HAROLD THOMPSON - President and Chief Executive Officer

\$ 356,442,000

318,275,000



# THE MONARCH LIFE ASSURANCE COMPANY

## Financial Position

### LIABILITIES, CAPITAL AND SURPLUS

	December 31	
	1978	1977
DIRECT OBLIGATIONS TO POLICYHOLDERS		
ACTUARIAL RESERVE This amount together with future premiums and interest will provide for the payment of all benefits on policies in force	\$ 249,105,000	220,165,000
POLICY BENEFITS IN COURSE OF PAYMENT	1,315,000	1,507,000
POLICY BENEFITS ON DEPOSIT	28,172,000	25,941,000
POLICY DIVIDENDS PAYABLE	3,900,000	3,500,000
SEGREGATED INVESTMENT FUNDS	15,184,000	12,807,000
STAFF PENSION AND INSURANCE FUNDS	9,517,000	8,536,000
OTHER LIABILITIES	1,356,000	2,021,000
	<u>308,549,000</u>	<u>274,477,000</u>
STATUTORY AND CONTINGENCY RESERVE	15,646,000	13,721,000
SHARE CAPITAL Authorized 1,000,000 shares of \$2 par value Issued 520,000 shares (1977 - 500,000)	1,040,000	1,000,000
SURPLUS	31,207,000	29,077,000
	<u>47,893,000</u>	<u>43,798,000</u>
	<u>\$356,442,000</u>	<u>318,275,000</u>

# SEVENTY-THIRD ANNUAL REPORT 1978

## Statement of Operations

For the Year  
1978

### INCOME

Insurance and annuity premiums	\$ 52,490,000
Investment income less expenses of 646,000	28,479,000
Other	<u>1,718,000</u>
	<u>82,687,000</u>

### DISPOSITION OF INCOME

Paid or set aside for policyholders	
Death and disability benefits	3,797,000
Matured endowments	1,515,000
Annuity payments	6,339,000
Surrender benefits	10,549,000
Policy dividends	3,983,000
Interest credited to amounts on deposit	1,784,000
Increase in Actuarial Reserve for future payments to policyholders and beneficiaries	28,940,000
Increase in Segregated Investment Funds	2,377,000
Increase in Staff Pension and Insurance Funds	981,000
Other	<u>1,319,000</u>
	<u>61,584,000</u>

Commissions	5,410,000
Operating expense	10,616,000
Premium and income taxes	<u>806,000</u>
	<u>78,416,000</u>

### NET INCOME

4,271,000

## Statement of Surplus

SURPLUS, January 1, as restated 29,077,000

ADD: Net Income	4,271,000
Premium on Capital Stock Issued	<u>360,000</u>
	<u>33,708,000</u>

DEDUCT: Transfer to Statutory and Contingency Reserve	1,925,000
Dividends to shareholders	<u>576,000</u>
	<u>2,501,000</u>

SURPLUS, December 31 31,207,000

### ATTRIBUTABLE TO

Participating policyholders	11,804,000
Shareholders	<u>19,403,000</u>
	<u>\$ 31,207,000</u>



# THE MONARCH LIFE ASSURANCE COMPANY

## Notes to Financial Statements

### 1. Statement of Significant Accounting Principles

- (a) The financial statements combine both the life and health insurance branches of the company.
- (b) Bonds are carried at amortized cost plus or minus the unamortized balance of losses or gains on sales. The difference between the proceeds on the sale of a bond and its amortized cost is considered to be an adjustment of future portfolio yield and is deferred and amortized over the period to maturity of the bond sold.
- (c) Stocks are carried at cost plus or minus the unamortized balance of losses or gains on sales and an adjustment toward market value. The amount of amortization and the market value adjustment each year is 7% of the difference between adjusted book value and year-end market value of all stocks.
- (d) First Mortgages are carried at amortized cost, less principal repayments.
- (e) Real Estate is carried at cost less accumulated depreciation, or written down value.
- (f) Policy Loans are carried at their unpaid balances and are fully secured by the surrender values of the policies on which the respective loans are made.
- (g) Included in Other Assets are electronic data processing equipment, furniture and equipment and branch office lease improvements carried at cost less accumulated depreciation and amounts receivable from agents carried at the unpaid balance less an allowance for uncollectable accounts.
- (h) Segregated Investment Funds are carried at market value.
- (i) The Actuarial Reserve is calculated using interest and mortality assumptions appropriate for the policies in force and provide for the deferral and amortization of costs of acquiring policies subject to maximum limits provided by the Department of Insurance of Canada.
- (j) The Statutory and Contingency Reserve includes \$5,646,000 (1977 \$5,221,000) for certain items as required by the Department of Insurance of Canada.

### 2. New Statutory Basis of Accounting

A new statutory basis of accounting has become effective commencing in 1978. Therefore no comparisons are shown in the Statements of Operations and Surplus for the year 1977. In the Statement of Financial Position, the comparative amounts at December 31, 1977 have been restated to the new basis. The change in Financial Position at December 31, 1977 is as follows:

	New Basis	Former Basis	Increase (Decrease)
Assets	\$318,275,000	\$317,435,000	\$ 840,000
Liabilities			
- Actuarial Reserve	220,165,000	236,379,000	(16,214,000)
- Other	54,312,000	54,312,000	—
Statutory and Contingency Reserve	13,721,000	8,500,000	5,221,000
Share Capital	1,000,000	1,000,000	—
Surplus Attributable to			
- Participating Policyholders	10,788,000	4,672,000	6,116,000
- Shareholders	18,289,000	12,572,000	5,717,000
	<u>29,077,000</u>	<u>17,244,000</u>	<u>11,833,000</u>

### 3. Income Taxes

Regulations to implement the 1978 changes in the Income Tax Act affecting life insurance companies have not been finalized. The income taxes provided for in the financial statements represent the Company's best estimate of the taxes payable for 1978.

### 4. Capital Stock Issued

Under a Stock Option Plan adopted in 1966, the company granted certain employees options to purchase shares of the unissued capital stock of the Company at a price equal to the market value of such stock on the date granted. All the 20,000 shares under option were issued during 1978 at \$20.00 per share and the Stock Option Plan of 1966 was subsequently terminated.

# THE MONARCH LIFE ASSURANCE COMPANY

## AUDITORS' REPORT

January 30, 1979

To the Policyholders, Shareholders and Directors of The Monarch Life Assurance Company:

We have examined the statements of financial position of The Monarch Life Assurance Company as at December 31, 1978 and 1977 and the statements of operations and surplus for the year 1978. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1978 and the financial position as restated as at December 31, 1977 and the results of its operations for the year 1978 in accordance with accounting principles described in note 1 to the financial statements consistently applied.


  
Chartered Accountants

## REPORT OF THE VALUATION ACTUARY

January 30, 1979

I have made the valuation of actuarial liabilities of The Monarch Life Assurance Company for its Statement of Financial Position of December 31, 1978 and its Statements of Operations and Surplus for the year then ended. In my opinion

- (i) the amount of the actuarial liabilities makes good and sufficient provision for all the obligations guaranteed under the terms of the policies in force, and
- (ii) proper charges for those liabilities have been made in the Statements of Liabilities and Surplus.

  
F.S.A., F.C.I.A.  
Vice-President and Senior Actuary



# THE MONARCH LIFE ASSURANCE COMPANY

## Board of Directors

I. H. ASPER, Q.C..... Chairman of the Board  
GERALD SCHWARTZ ..... Deputy Chairman of the Board and  
Chairman of the Executive Committee  
HAROLD THOMPSON ..... President and Chief Executive Officer

* GORDON LAWSON, L.L.D.	FREDERICK W. SELLERS
* RICHARD S. MALONE, O.B.E.	GEORGE E. SHARPE
* CONRAD S. RILEY, M.B.E.	ALAN E. TARR

\* Policyholders' Directors

### EXECUTIVE OFFICERS

HAROLD THOMPSON ..... President and Chief Executive Officer  
ALLAN G. DENNIS ..... Vice-President, Marketing  
RICHARD E. ARCHER ..... Vice-President, Investments  
DONOVAN A. MCCARTHY, Q.C..... Vice-President and Secretary  
DOUGLAS B. STEVENS ..... Vice-President, Administration  
CHARLES J. STAFFORD..... Vice-President and Senior Actuary

# ADMINISTRATIVE ORGANIZATION

HAROLD THOMPSON, F.S.A., F.C.I.A., President and Chief Executive Officer

A. G. DENNIS	Vice-President, Marketing
Sales Development	R. T. Sandstrom ..... Senior Superintendent of Sales D. D. Sheppard, C.L.U. .... Superintendent of Sales M. Hawryluk ..... Asst. Superintendent of Sales R. Perron ..... Asst. Superintendent of Sales P. Cloutier ..... Superintendent of Sales, Group
Marketing Services	G. E. Thomas ..... Superintendent of Marketing Services (Miss) J. Mislawchuk ..... Supervisor of Sales Administration
Sales Training	R. Blouin ..... Superintendent of Sales Training
Sales Promotion	R. Maddocks ..... Superintendent of Sales Promotion
R. E. ARCHER, C.F.A.	Vice-President, Investments
Investment	L. R. Fuller ..... Manager, Bond Investments D. S. Johnson A.A.C.I. .... Manager, Mortgage & Real Estate Investments D. G. Mills, C.F.A. .... Manager, Common Stock Investments
D. A. McCARTHY, Q.C.	Vice-President and Secretary
Accounting	W. A. McLandress, C.A. .... Accounting Manager L. A. Jennings ..... Supervisor, Accounting
Personnel & Office Services	C. M. Mederski ..... Manager, Personnel & Office Services R. E. Babiak ..... Supervisor, Purchasing, Printing & Supplies
Properties	C. J. Rogers, F.L.M.I. .... Manager, Building & Properties
Translation	C. C. Foley ..... Translator
D. B. STEVENS, F.S.A., F.C.I.A.	Vice-President, Administration
Data Processing	P. J. Sawchuk, F.L.M.I. .... Director of Data Processing L. G. F. Jones ..... Supervisor, Data Processing Operations E. Lindgren, F.L.M.I. .... Manager, Systems & Programming
Policy Service	A. Croteau, A.S.A. .... Manager, Policy Service (Mrs.) T. Fifi ..... Supervisor, Policy Service A. Bilodeau ..... Supervisor, Premium Services E. Perry ..... Supervisor, Branch Services
New Business	N. P. Walton ..... Manager, Policy Issue & Changes E. Shandruk ..... Supervisor, Policy Issue T. Weber, F.L.M.I. .... Supervisor, Policy Changes
Policy Administration	C. E. Addison, F.L.M.I. .... Executive Assistant, Administration
C. J. STAFFORD, F.S.A., F.C.I.A.	Vice-President and Senior Actuary
Actuarial	L. A. Poole, F.S.A., F.C.I.A. .... Actuary, Individual Insurance G. J. Kaiser, F.S.A., F.C.I.A. .... Assistant Actuary
Underwriting	W. A. Riddall ..... Manager, Underwriting R. G. Hanford, M.D. F.R.C.P. (C) ..... Medical Director N. L. Handford ..... Senior Underwriter
A. M. BYRNE, F.S.A., F.C.I.A.	Group Actuary
Group Underwriting and Service	G. Kaminsky, A.S.A. .... Assistant Actuary E. F. Harlow ..... Manager, Group Life & Health Services G. L. Sobie, F.L.M.I. .... Manager, Group Pension Services (Mrs.) H. Mills ..... Supervisor, Group Pension Services



# BRANCH OFFICES

		Telephone Number	Area Code
VICTORIA	D. E. PEGG, 4th Flr., 736 Broughton St.	384-0584	604
VANCOUVER	C. JEFFREY, C.L.U., 977-777 Hornby St. C. P. LUCENTE, JR., 870-1090 W. Georgia St. J. R. TOOGOOD, C.L.U., 977-777 Hornby St.	689-8831 669-4741 684-0729	604 604 604
PRINCE GEORGE	L. J. TOURNIER, C.L.U., 200-1527 - 3rd Ave.	562-8261	604
EDMONTON	DAY, ROSS & ASSOC. LTD., 800 Empire Bldg., 101 St. & Jasper Ave. W. E. SOUTHORN, C.L.U., 15th Flr., CN Towers, 104 Ave. & 100 St. W. B. TAINSH & ASSOC. LTD., 211-8204 - 104th St. M. WYNE, C.L.U., 2311 TD Tower, Edmonton Centre	429-1423 422-6125 433-5801 426-7955	403 403 403 403
RED DEER	P. J. DERKSEN, C.L.U., 2000 Central Block, 5000 Gaetz Ave.	347-1135	403
CALGARY	J. PALYGA, 1900-633 - 6th Ave. S.W. J. D. TAYLOR, 800-825 - 8th Ave. S.W.	261-7880 263-4070	403 403
LETHBRIDGE	J. H. PROVICK, 202 Woodward Tower	327-2985	403
SASKATOON	G. W. HALLSTROM, 870 Avord Tower, 606 Spadina Cres. E.	653-0602	306
REGINA	D. LAKUSTA, C.L.U., 1700 Avord Tower, Victoria Ave. & Hamilton St.	523-9631	306
BRANDON	D. V. HUTMACHER, C.L.U., 4th Flr., Royal Bank Bldg., Box 727	727-0721	204
WINNIPEG	L. H. FYKE, C.L.U., 7th Flr., 363 Broadway G. D. JAMIESON, C.L.U., 6th Flr., 338 Broadway R. C. SANDERS, 5th Flr., 305 Broadway B. J. THOMPSON, 300-338 Broadway (Group Sales & Service)	947-6771 956-1153 943-6565 942-8762	204 204 204 204
THUNDER BAY	A. D. WESTAWAY, C.L.U., 410 Chapple Bldg., Box 326	622-6444	807
WINDSOR	R. D. HEBERT, 1010-100 Ouellette Ave.	258-5433	519
LONDON	D. E. EASTMAN, 1104-275 Dundas St. STEVENSON & HUNT INS. AGENCIES LTD. 2nd Flr., 267 Dundas St.	672-6220 433-4083	519 519
KITCHENER	P. A. S. LYON, 1183 King St., E.	745-1131	519
HAMILTON	BRYAN & CO. INSURANCE AGENCY LTD., 36 James St. S. D. S. HILBORN, C.L.U., 2105-25 Main St. W. SKYWAY LIFE INSURANCE AGENCIES INC., 604-105 Main St. E.	523-4705 522-9274 525-7247	416 416 416
TORONTO	P. ANGELINI, C.L.U., 504-200 Consumers Road M. J. DORAN, C.L.U., 404-40 St. Clair Ave. W. LIFE EQUATIONS INSURANCE AGENCY, 104-55 Doncaster Ave. C. MALHOWSKI, 2400-2 Bloor St. E. S. S. TAERK, C.L.U., 501-50 Gervais Drive M. DUGGAN & (MRS.) S. GOOCH, 312-245 Fairview Mall Dr. (Group Sales & Service)	493-3744 929-0421 881-6622 961-2330 449-7330 496-2469	416 416 416 416 416 416
OSHAWA	R. A. SLANEY, C.L.U., 10022-44 Bond St. W.	725-6588	416
OTTAWA	E. E. LAUGHREN, 1500-85 Albert St.	235-1431	613
MONTREAL	ABRAMS, PECK & ASSOC. LTD., 205-4480 Cote de Liesse Rd. G. RIVARD, 400-6767 Cote des Neiges Rd.	341-5770 731-8257	514 514





'Marten on Woodpecker Tree'

CLARENCE TILLENIUS

Clarence Tillenius' loving portraits of Canada's wildlife in its natural environment have been a fixture with the Monarch Life Assurance Company for the past 25 years.

The Manitoba-born Tillenius has produced an impressive body of works for the Company, including the renowned series 'Monarchs of the Canadian Wilds'. That series has been displayed in galleries and exhibitions throughout North America. His most recent work, 'Marten on Woodpecker Tree', is part of a second commissioned series, entitled 'Small Fur-Bearing Animals'.

Each of his paintings is an eloquent statement urging us to preserve our magnificent wildlife heritage. Monarch Life is proud to be associated with Clarence Tillenius, and shares his concerns for our vanishing wilderness areas.



THE MONARCH LIFE ASSURANCE COMPANY

333 BROADWAY, WINNIPEG, MANITOBA, CANADA